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FISCAL IMPACT STATEMENT

LS 7306

BILL NUMBER: HB 1556

NOTE PREPARED: Jan 10, 2003

BILL AMENDED:

SUBJECT: Charity Gaming and Lottery.

FIRST AUTHOR: Rep. Liggett

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: The bill requires the procurement rules of the Lottery Commission to give preference to Indiana vendors. The bill voids certain proposed rules regarding charity gaming and incorporates certain rules by reference into statute. The bill requires qualified organizations to use at least 5% of the organization's charity gaming gross receipts for the organization's charitable purposes. The bill specifies that the gaming card excise tax is imposed upon distributors. The bill allows the advertising of charity gaming events through out of state media outlets. It prohibits suppliers from becoming involved in an allowable event in any other capacity. And it prohibits qualified organizations from entering agreements with affiliated persons. The bill also makes other changes concerning the licensing of qualified organizations.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: *Indiana Vendor Preference:* The bill requires that Lottery Commission procurement rules give preference to Indiana vendors, provided they meet procurement criteria specified for the Commission under current statute. This procurement criteria relates to product and service quality and dependability, vendor dependability and integrity, competence, and timeliness, and the ability of the Commission to maximize gross revenues and net proceeds over the life of the contract. The fiscal impact of this provision is indeterminable. However, a vendor preference could potentially increase contract costs of the Lottery Commission to the extent that it reduces the pool of potential bidders for Commission product and service contracts.

Charity Gaming Rules: The bill voids several charity gaming rules proposed by the DOR on July 1, 2002. The impact of the rules on charity gaming is indeterminable. The rules being voided are as follows:

(1) The bill voids a rule specifying requirements for organizational uses of charity gaming receipts. The rules require licensed organizations to use at least specified minimum percentages of charity gaming gross receipts for the lawful purposes of the organization, or the acquisition and maintenance of real property involved in the operation of the organization. Current statute permits the DOR to specify the allowable expenditures of charity gaming receipts and also requires that all of an organization's net charity gaming receipts be used only for the lawful purposes of the organization. The rule requires: (a) organizations with less than \$150,000 in annual gross charity gaming receipts to use at least 5% of the gross receipts for organization purposes; (b) organizations with \$150,000 to \$500,000 in annual gross charity gaming receipts to use at least 10% of the gross receipts for organization purposes; and (c) organizations with more than \$500,000 in annual gross charity gaming receipts to use at least 12% of the gross receipts for organization purposes. Under the rules, an organization failing to meet these minimum use standards would have its license suspended or revoked. In voiding this rule, the bill requires organizations to use at least 5% of the gross receipts for organization purposes. In FY 2002, net charity gaming proceeds after total expenses overall represented about 12.6% of overall charity gaming gross receipts. From FY 1998 to FY 2001, this overall percentage ranged from a low of 11.7% to a high of 12.5%. For organizations holding annual bingo licenses in FY 2002 (these organizations accounted for 84% of the overall gross receipts during the fiscal year) net charity gaming proceeds represented only about 10.2% of gross charity gaming receipts. In comparison, this percentage ranged from 4.8% for annual bingo/pull tab licensees and 16.6% for pull tab licensees to 47.3% for festival licensees and 50.8% for raffle licensees. At the organization level in FY 2002, the net proceeds to gross receipts percentage for annual bingo licensees varied from 0% to 48%, with a sizeable number of organizations at or below the minimum use percentages required under the proposed rule.

(2) The bill voids rules that: (a) specify facility rent limits; (b) regulate the cost and conduct of charity gaming events, prizes, facility rent, advertising of events, game price limits, and participant age requirements; (c) provide for charity gaming violations; (d) establish a process for protesting DOR findings of charity gaming violations; (e) specify requirements for DOR access to organization records; (f) establish reporting requirements for manufacturers and distributors charity gaming supplies and equipment; and (g) implement the Charity Gaming Excise Tax.

The bill also incorporates into statute the rules regarding (b), (e), (f), and (g) above as in effect on January 1, 2002.

Explanation of State Revenues: The bill specifies that the Charity Gaming Excise Tax is imposed on the price paid by the charity gaming license holder (instead of the wholesale price as required under current law) for pull tabs, punchboards, or tip boards. This provision could have an indeterminable impact on Excise Tax revenue. Reportedly, some distributors have, in the past, based the tax on the price they pay for the products rather than the price paid by the charity gaming license holder. The bill also specifies that the Excise Tax is imposed on the licensed manufacturer or distributor that distributes the pull tabs, punchboards, or tip boards to a charity gaming license holder in Indiana. Thus, the bill makes clear that the Excise Tax is not imposed on the manufacturer of these products unless the manufacturer also distributes to licensed organizations. Currently, the Excise Tax is only imposed on distribution of pull tabs, punchboards, or tip boards to licensed organizations in Indiana. Thus, this provision will have no fiscal impact.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Indiana Lottery Commission.

Local Agencies Affected:

Information Sources:

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